



PSC NEWS

Missouri Public Service Commission

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PSC APPROVES NATURAL GAS RULE

Jefferson City (September 25, 2003)---The Missouri Public Service Commission has approved a rule regarding natural gas price volatility mitigation for those natural gas companies under Public Service Commission jurisdiction. This rule becomes part of the Commission's rules and regulations 30 days after it is published in the Code of State Regulations. The rule will be effective December 30, 2003.

The rule states that local natural gas companies under PSC jurisdiction should structure their portfolios of contracts with various supply and pricing provisions in an effort to mitigate upward natural gas price spikes, and provide a level of stability of delivered natural gas prices.

As part of their planning effort, the rule states that natural gas utilities should consider the use of a broad range of pricing structures, mechanisms, and instruments, including, but not limited to:

- * Natural Gas Storage
- * Futures Contracts
- * Fixed Price Contracts
- * Call Options
- * Collars
- * Outsourcing/Agency Agreements
- * Financial Swaps and Options from Over the Counter Markets
- * Other tools utilized in the market for cost-effective management of price and/or usage volatility

The rule notes that each of the above mechanisms may be desirable in certain circumstances, but each has unique risks and costs that require evaluation by the natural gas company in each circumstance. In addition, the rule states that part of the natural gas utility's balanced portfolio may be higher than spot market prices at times and this would be recognized as a possible result of prudent efforts to dampen upward volatility.

"This rule is the result of several task force public meetings as well as meetings among stakeholders that were part of a Commission task force formed as a result of high natural gas prices in the winter of 2000-2001," stated Warren Wood, Energy Department Manager at the Public Service Commission.

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